

State of Alaska FY2008 Governor's Operating Budget

Department of Administration Finance Component Budget Summary

Component: Finance

Contribution to Department's Mission

The Division of Finance provides accounting and payroll services for state government.

Core Services

- General ledger accounting including budgets and vendor payments for all three branches of government.
- Payroll processing and accounting for all three branches of government.
- Comprehensive Annual Financial Report (CAFR) and other statewide reporting responsibilities, including oversight of state single audit requirements.
- Electronic commerce services including electronic vendor payments and the One Card Alaska credit card program.
- User documentation and information technology to support all services.

End Results	Strategies to Achieve Results
A: State payroll processing is accurate and timely. <u>Target #1:</u> 100% of payroll transactions are processed without penalty pay caused by central processing problems. <u>Measure #1:</u> Percentage of payroll expenditures processed without penalty pay caused by central processing problems. <u>Target #2:</u> Maintain unscheduled downtime of the statewide payroll system (AKPAY) at less than 0.5%. <u>Measure #2:</u> Unscheduled down time of AKPAY as a percentage of scheduled availability (currently approximately 4,000 hours per year).	
End Results	Strategies to Achieve Results
B: Vendors and grantees are paid accurately and timely. <u>Target #1:</u> Increase number of EDI payments by 5% per year. <u>Measure #1:</u> Increase in dollars paid via EDI in current year divided by dollars paid in prior year.	B1: Increase number of EDI (electronic data interchange) vendors. <u>Target #1:</u> 10% increase in the number of EDI (electronic data interchange) vendors. <u>Measure #1:</u> % increase in the number of Electronic Data Interchange (EDI) vendors.
End Results	Strategies to Achieve Results
C: Improved efficiency of credit card program for state agencies. <u>Target #1:</u> Increase rebate on credit card program by 20% per year. <u>Measure #1:</u> Percent increase over prior year credit card rebate.	
End Results	Strategies to Achieve Results

D: Receive GFOA Certificate of Achievement for Excellence in Financial Reporting annually on audited CAFR.

Target #1: Beginning with FY 2003 CAFR, receive certificate annually.

Measure #1: GFOA certificate

FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$7,651,200

Personnel:

Full time	45
Part time	0
Total	45

Performance Measure Detail

A: Result - State payroll processing is accurate and timely.

Target #1: 100% of payroll transactions are processed without penalty pay caused by central processing problems.

Measure #1: Percentage of payroll expenditures processed without penalty pay caused by central processing problems.

% of payroll expenditures processed without penalty pay caused by central processing problems.

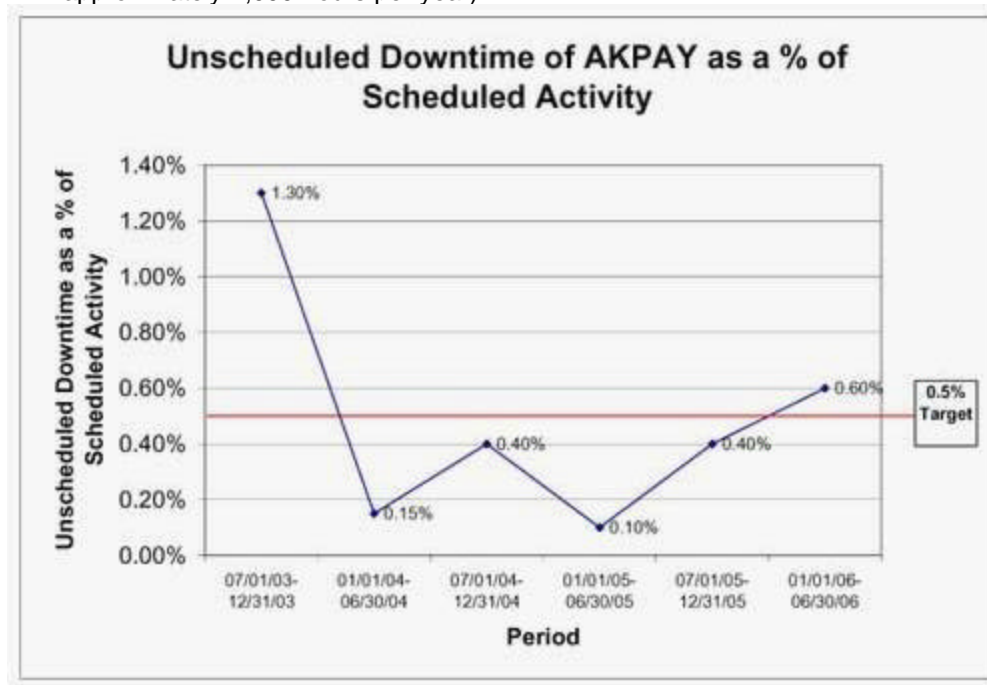
Fiscal Year	YTD Total
FY 2004	100.0%
FY 2005	100.0%
FY 2006	100.0%

Data provided on an annual basis.

Analysis of results and challenges: This measure has historically been met without exception, however retaining the measure is important because it measures the state's ability to get out the payroll timely. This effort requires consistent operation of an aging payroll system. Another aspect of the importance of this measure is the magnitude of loss should a payroll system failure occur. Penalty pay alone could be as much as \$500,000 per day.

Target #2: Maintain unscheduled downtime of the statewide payroll system (AKPAY) at less than 0.5%.

Measure #2: Unscheduled down time of AKPAY as a percentage of scheduled availability (currently approximately 4,000 hours per year).



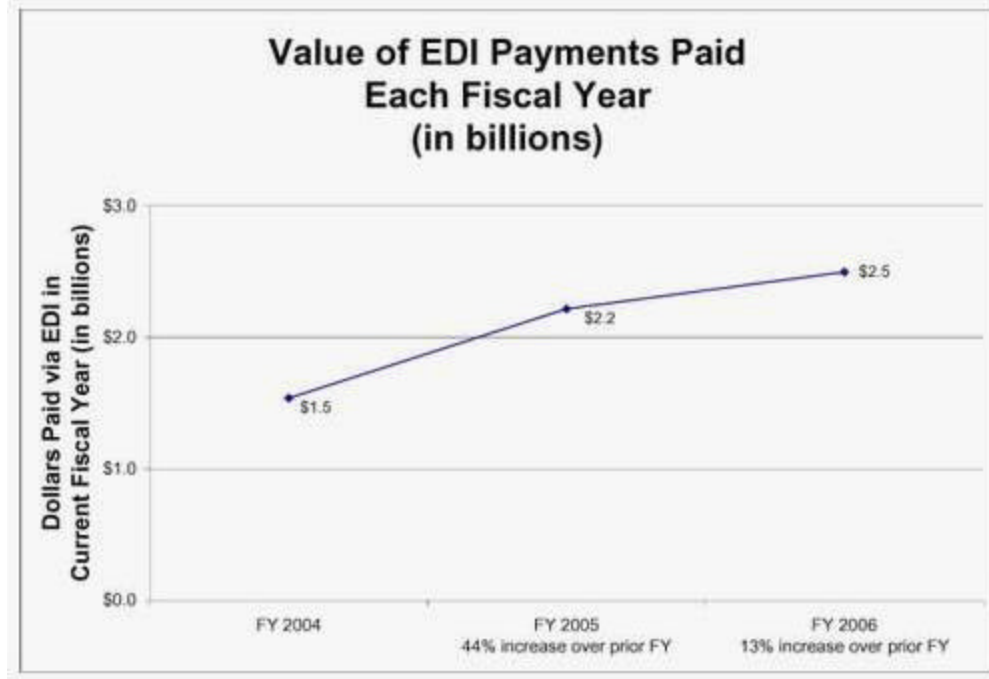
Analysis of results and challenges: *Data provided on an annual basis.

Unscheduled downtime is another measure of the stability of the statewide payroll system. The system must be up for data to be entered for payroll processing.

B: Result - Vendors and grantees are paid accurately and timely.

Target #1: Increase number of EDI payments by 5% per year.

Measure #1: Increase in dollars paid via EDI in current year divided by dollars paid in prior year.



Analysis of results and challenges: * Data provided on an annual basis.

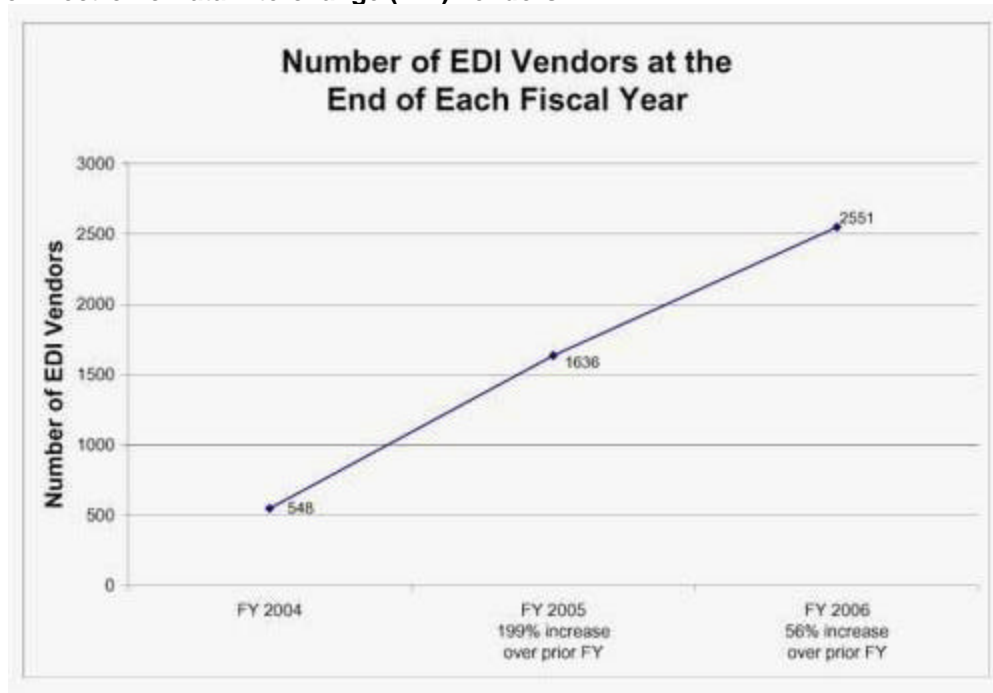
The number of EDI payments has increased annually since this measure was instituted. Efforts continue to add vendors and grantees to the electronic payment process. Electronic payments are a faster and more secure way to get payments out.

B1: Strategy - Increase number of EDI (electronic data interchange) vendors.

Target #1: 10% increase in the number of EDI (electronic data interchange) vendors.

Measure #1: % increase in the number of Electronic Data Interchange (EDI) vendors.

% increase of Electronic Data Interchange (EDI) vendors.



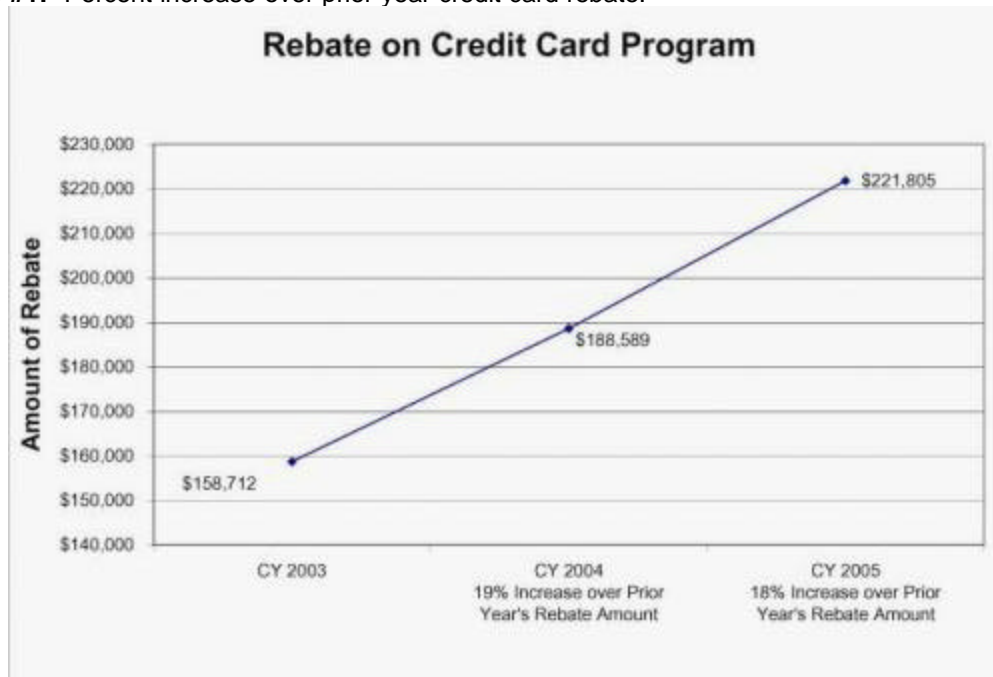
Analysis of results and challenges: * Data provided on annual basis.

The dramatic increase in Electronic Data Interchange (EDI) vendors during fiscal year 2005 stems from HB 494, the electronic payments legislation passed during the 2004 legislative session. We continue to add electronic capability to vendors at an accelerated pace. The success of this effort requires a willingness on the part of vendors to switch to electronic payments.

C: Result - Improved efficiency of credit card program for state agencies.

Target #1: Increase rebate on credit card program by 20% per year.

Measure #1: Percent increase over prior year credit card rebate.



Analysis of results and challenges: * Data provided on annual basis.

The credit card rebate has grown each year under the state's contract with First National Bank Alaska. This contract ends December 31, 2007 and the department is currently considering options for the next credit card contract.

D: Result - Receive GFOA Certificate of Achievement for Excellence in Financial Reporting annually on audited CAFR.

Target #1: Beginning with FY 2003 CAFR, receive certificate annually.

Measure #1: GFOA certificate

Analysis of results and challenges: The state has received the GFOA certificate on the audited CAFR each year since FY 2003. This is a significant accomplishment, beginning with the state's first unqualified audit opinion on the FY 2002 financial statements. The GFOA certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

Key Component Challenges

- Adequate staffing – The Division of Finance is comprised primarily of information technology and accounting professionals. Attracting and retaining these individuals is an ongoing challenge, and several senior staff members are nearing retirement.
- Aging technology – Statewide accounting, payroll, and human resources systems are built with technology that is no longer taught in most colleges. With age, they are becoming more difficult to maintain. The initial effort to procure a replacement for the statewide payroll system failed due to inadequate budget. The state is now faced with decisions as to how to proceed with the necessary replacement efforts, and securing adequate funding to implement these decisions. The division is implementing new reporting functionality for data from these existing legacy systems. This new “data warehouse” will provide for conversion of legacy data into a reporting database which will greatly simplify subsequent replacement efforts for these legacy systems.

- Expanding electronic payments – The 23rd Legislature passed HB 494 in 2004 which requires the state to move payments to electronic methods by January 1, 2006. Regulations are now in place. The division is implementing new infrastructure to allow vendors to research their payment information over the web by March, 2007.
- Continued improvement of training and documentation – The systems and policies for which we are responsible change constantly and new users are added every day. Keeping the training sessions and documentation current requires substantial effort.

Significant Changes in Results to be Delivered in FY2008

The division will continue to expand direct deposit and electronic payments consistent with the intent of AS 37.25.050.

Management of the state's first enterprise data warehouse will be an ongoing development effort, balancing the need for efficiently maintaining the existing information against probable demand for adding new sources.

The legacy statewide systems for accounting, payroll, and human resources need to be replaced. This effort will take center stage once decisions are made on how to proceed.

Major Component Accomplishments in 2006

Improve management of the state single audit function. This function moved from the Office of Management and Budget during FY 2005. The division seamlessly took over the audit review and distribution workload. The web site has been updated to convey current information to auditors and auditees, and the outreach and follow up on audit requirements continues to improve.

Received the Certificate of Excellence for Achievement in Financial Reporting from the Government Finance Officer Association. This award is the highest form of recognition in government accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The division received its third consecutive annual award for the FY 2005 Comprehensive Annual Financial Report.

Began work on the state's first enterprise data warehouse. This will provide current information on the state's financial and human resources in an intuitive reporting environment. As such, this initiative has the potential to fundamentally change how the state's business is managed.

Statutory and Regulatory Authority

Alaska Statutes Description

09.35.330	Attachment of salary, wages, etc. of employees (mandate)
14.40.170	Procedures for care, control, and management by the University of Alaska (UA)
Board of Regents of UA monies, receipts, and disbursements	
14.40.290	UA property and funds generally
14.40.400	Fund for money from sale or lease of land granted by Act of Congress
14.43.325	Payments to the memorial scholarship revolving loan fund
23.30.175	Computation for Workers' Compensation
23.30.220	Determination of spendable weekly wage for Workers' Compensation
23.40	Labor organizations
34.45.320	Payment or delivery of abandoned property
37.05.020	Adoption of regulations
37.05.040	Legal custody of records
37.05.130	General powers, responsible for all accounts and purchases
37.05.140	Accounting system
37.05.142	Accounting for program receipts
37.05.150	Fund and accounts
37.05.165	Petty cash accounts
37.05.170	Restrictions on payments and obligations
37.05.180	Limitation on payment of warrants
37.05.190	Pre-audit of claims

37.05.200	Pre-audit of receipts
37.05.210	Fiscal reporting and statistics
37.05.285	Payment for state purchases (includes interest provisions)
37.05.500	Special funds
37.05.510	Working reserve account
37.05.910	Applicability to University of Alaska (uniform financial procedures)
37.05.920	Fiscal year
37.10.010	Disbursements
37.10.030	Responsibility of officer or employee approving or certifying voucher
37.10.050	Charges for state services; collection, accounting, and deposit of state money
37.10.088	Department of Administration authorized to make advances to the University
37.15.012	Continuing debt service appropriation
37.15.170	State bond committee to certify annual principal, interest, and reserve requirements
37.25.010	Unexpended balances of one-year appropriations
37.25.020	Unexpended balances of appropriations for capital projects
37.25.050	Methods of disbursement
39.20	Compensation and allowances (includes travel regulations)
39.27.025	Shift differential
39.30	Insurance and supplemental employee benefits
39.35.680	Definition of compensation for retirement system
39.40	U.S. savings bonds
39.45	Deferred compensation plan
43.05.170	Payment of warrants
44.17.010	Delegation of functions
44.17.030	Adoption of regulations
44.21.020	Duties of department. (2) keep general accounts, (3) approve vouchers and disburse funds for all purposes
44.21.040	Records or accounts of claims and warrants
44.62	Administrative procedure act
44.77	Claims against the State

Federal Requirements

Internal Revenue Code
 Federal Insurance Contributions Act
 Fair Labor Standards Act
 Federal Unemployment Tax Act
 Family and Medical Leave Act
 Federal Child Support Regulations
 Federal Maritime Act
 Cash Management Improvement Act
 Freedom of Information Act
 North American Free Trade Agreement (NAFTA)
 U.S. Office of Foreign Asset Control Sanctions
 U.S. Office of Management and Budget - Circular A-87, Cost Principles for State and Local Governments
 U.S. Office of Management and Budget - Circular A-102, Grants and Cooperative Agreements with State and Local Governments
 U.S. Office of Management and Budget - Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

Contact Information

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Finance Component Financial Summary

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,035.7	3,908.8	4,449.2
72000 Travel	39.7	3.0	3.0
73000 Services	4,431.5	3,146.1	3,164.6
74000 Commodities	99.6	34.4	34.4
75000 Capital Outlay	29.7	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	8,636.2	7,092.3	7,651.2
Funding Sources:			
1004 General Fund Receipts	4,954.1	5,173.6	5,727.5
1005 General Fund/Program Receipts	212.6	213.2	213.8
1007 Inter-Agency Receipts	3,469.5	1,705.5	1,709.9
Funding Totals	8,636.2	7,092.3	7,651.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Manageme nt Plan	FY2008 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	9.2	0.0	0.0
Unrestricted Total		9.2	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	3,469.5	1,705.5	1,709.9
General Fund Program Receipts	51060	212.6	213.2	213.8
Restricted Total		3,682.1	1,918.7	1,923.7
Total Estimated Revenues		3,691.3	1,918.7	1,923.7

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	5,386.8	0.0	1,705.5	7,092.3
Adjustments which will continue current level of service:				
-FY 08 Health Insurance Increases for Exempt Employees	0.4	0.0	0.0	0.4
Proposed budget increases:				
-FY 08 Internal Dept Cost Increase due to Retirement Systems Rate Increases	14.1	0.0	4.4	18.5
-FY 08 Retirement Systems Rate Increases	540.0	0.0	0.0	540.0
FY2008 Governor	5,941.3	0.0	1,709.9	7,651.2

Finance Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	46	45	Annual Salaries	2,737,182
Part-time	0	0	Premium Pay	0
Nonpermanent	3	3	Annual Benefits	1,995,269
			<i>Less 5.99% Vacancy Factor</i>	<i>(283,251)</i>
			Lump Sum Premium Pay	0
Totals	49	48	Total Personal Services	4,449,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	6	0	6
Accountant IV	0	0	7	0	7
Accountant V	0	0	2	0	2
Accounting Tech I	0	0	2	0	2
Accounting Tech II	0	0	1	0	1
Accounting Tech III	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Administrative Manager I	0	0	1	0	1
Administrative Svcs Mgr II	0	0	1	0	1
Analyst/Programmer II	0	0	1	0	1
Analyst/Programmer IV	0	0	6	0	6
Analyst/Programmer V	0	0	3	0	3
College Intern I	0	0	1	0	1
College Intern II	0	0	1	0	1
Data Processing Mgr II	0	0	1	0	1
Division Director	0	0	1	0	1
Human Resource Technician II	0	0	3	0	3
Payroll Manager	0	0	1	0	1
Payroll Specialist I	0	0	2	0	2
Payroll Specialist II	0	0	2	0	2
Payroll Specialist III	0	0	1	0	1
State Accountant	0	0	1	0	1
Student Intern III	0	0	1	0	1
Totals	0	0	48	0	48